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FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC PRIORITY 6504
INFO RUEHBR/AMEMBASSY BRASILIA 7608
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RUEHBU/AMEMBASSY BUENOS AIRES 2665
RUEHMN/AMEMBASSY MONTEVIDEO 2298
RUEHLP/AMEMBASSY LA PAZ 3252
RUEHCV/AMEMBASSY CARACAS 0457
RUEHBO/AMEMBASSY BOGOTA 1511
RUEHSG/AMEMBASSY SANTIAGO 2010
RUEHRG/AMCONSUL RECIFE 3417
RUEHRI/AMCONSUL RIO DE JANEIRO 7860
RHEHNSC/NSC WASHDC
RUCPDO/USDOC WASHDC 2730
RUEHRC/USDA FAS WASHDC 0661
RHEBAAA/USDOE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
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UNCLAS SECTION 01 OF 04 SAO PAULO 000166

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STATE FOR WHA/FO, WHA/BSC, WHA/EPSC, WHA/PDA, INL
STATE ALSO FOR P, E, S/P
STATE PASS USTR FOR CRONIN
STATE PASS EXIMBANK
STATE PASS OPIC FOR DMORONESE, NRIVERA, CVERVENNE
NSC FOR FEARS
TREASURY FOR OASIA, DAS LEE AND JHOEK
USDOC FOR 4332/ITA/MAC/WH/OLAC
USDOC FOR 3134/ITA/USCS/OIO/WH/RD
DOE FOR GWARD
SOUTHCOM ALSO FOR POLAD
USAID FOR LAC/AA

E.O. 12958: N/A

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SUBJECT: UNDER SECRETARY BURNS' LUNCH WITH SAO PAULO GOVERNOR SERRA,
FEBRUARY 6, 2007

REF: (A) SAO PAULO 58; (B) SAO PAULO 36

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

SUMMARY

11. (SBU) Summary: During his February 6-7, 2007 visit to Sao Paulo, Under Secretary for Political Affairs R. Nicholas Burns and his delegation were hosted for lunch by Sao Paulo Governor Jose Serra and key members of Serra's cabinet. U/S Burns and the Governor discussed cooperation on biofuels, public security challenges and possible U.S. assistance, and trade and investment issues, including the importance of curbing IPR piracy. On the key theme of biofuels, U/S Burns proposed that the U.S. and Brazil develop a strategic partnership to work with third countries on creating a global market for ethanol. Governor Serra outlined public security challenges facing the state of Sao Paulo, and proposed USG assistance at the state level in key areas. U/S Burns and A/S Shannon raised regional foreign policy issues, noting that while state governors like Serra have no direct role, their states are affected by Brazil's global posture and regional approach. U/S Burns encouraged Serra to visit the U.S. in the near future. End Summary.

12. (U) On February 6, Sao Paulo Governor Jose Serra hosted a lunch for Under Secretary Burns and his delegation.

PARTICIPANTS

Under Secretary Burns
WHA Assistant Secretary Tom Shannon
Special Energy Coordinator Greg Manuel
William McIlhenny, S/P Member
Heide Bronke, P Special Assistant
Ambassador Clifford Sobel
DCM Phil Chicola
Consul General (CG) Chris McMullen
Peter Higgins, POL (notetaker)

Governor Serra
Lt. Governor/Secretary of Development Alberto Goldman
Secretary of Public Security Ronaldo Marzagao

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Secretary of Justice Luiz Antonio Guimaraes Marrey

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Deputy Secretary of Prison Administration Lourivel Gomes
Foreign Affairs Advisor Helena Gasparian
Veronica Bourgeois, the Governor's daughter.

¶3. (U) Serra, 65, is a former Minister of Health who ran unsuccessfully for President in 2002 and again for his party's presidential nomination in 2006. He is widely expected to make yet another try in 2010. He served two terms as a Federal Deputy and one as a Senator. He has also been Sao Paulo Secretary of Economy and Planning, national Minister of Planning, and Mayor of Sao Paulo (2005-6). A leader of the National Students' Union (UNE) in the 1960s, he spent fourteen years in exile in France, Chile, and the United States during the 1964-85 military dictatorship. He earned a PhD in Economics at Cornell and taught at Princeton.

¶4. (SBU) After the initial pleasantries and words of welcome,
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Governor Serra's first remark was that Sao Paulo state is Brazil's largest producer of sugarcane and ethanol, and that many here are concerned that the U.S. ethanol market is protected (a reference to the 54-cent per gallon surcharge/tariff on ethanol imports). Economic issues of this nature are an extremely important aspect of Latin America's relationship with the United States, Serra commented.

¶5. (SBU) U/S Burns began by outlining the agenda for his visit, noting that he planned to meet in Brasilia with senior GoB officials with a view to strengthening bilateral relations. While the relationship is good, he stressed that it could be larger and that the two countries could do much more together than they are currently doing. The USG is engaging with the GoB at the highest level, he continued, noting that Attorney General Gonzales is visiting Brasilia and Rio de Janeiro this week. POTUS is expected to meet in the near future with President Luiz Inacio Lula da Silva.

¶6. (U) U/S Burns described the energy roundtable he participated in earlier that morning and said he was impressed with what Brazil has done with biofuels. He proposed that the U.S. and Brazil become strategic partners in creating a global market for ethanol, reaching out to third countries.

¶7. (SBU) Ambassador Sobel described U/S Burns' responsibility for overseeing funding for USG assistance to other countries to combat transnational crime. He recalled Governor Serra's recent remark (ref B) that Sao Paulo state has adequate funding but needs U.S. equipment, technology, and expertise to improve its security capabilities. U/S Burns commented that diplomacy has changed in recent years; the critical areas are now counter-narcotics, anti-terrorism, border and port security, and combating trafficking in persons and HIV/AIDS, to name a few. He outlined the role of INL in providing assistance and how it works in other countries, most notably Colombia, and suggested that A/S Patterson visit Sao Paulo. Like Brazil, he said, the United States has border concerns. The Ambassador cited research showing that Sao Paulo's international

airport in Guarulhos has the highest incidence of false documents in the world.

18. (SBU) DCM explained that NAS security assistance is funneled through the National Public Security Service (SENASP) in Brasilia but that funds trickle down to the states slowly, and noted that Embassy is working on a plan to amend the NAS MOU with the GoB to make it possible to provide assistance directly to states.

19. (SBU) The Governor recalled that Ronaldo Marzagao, state Secretary for Public Security, had served as national anti-drug

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director in the late 1980s under the Sarney administration. The U.S. Ambassador at the time advised Marzagao that drugs were "not just a gringo problem," but rather one that would impact on Brazil - and he has been proven right.

110. (SBU) Sao Paulo state has about 130,000 police (civil and military), Governor Serra continued. Its prison population of about 150,000 represents more than half of all prisoners in Brazil. Organized criminal gangs, especially the First Capital Command (PCC), have enormous influence in the state prison system. The state needs technical assistance to combat these problems. Serra reiterated his priorities as fighting drug and arms trafficking and

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contraband and piracy as well as organized crime. The state needs the technology to tap telephones. Security in the metropolitan area's subways and commuter trains is also a growing concern (reftels). Foreign Affairs Advisor Helena Gasparian elaborated on this problem and noted that the recent DHS/TSA visit and assessment had been immensely helpful to state transit authorities. Under Secretary Burns commented that the USG works increasingly at state

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and local levels in other countries, citing examples in India. He and Ambassador Sobel stressed the importance of getting the GoB's approval for such cooperation; the Ambassador observed that Itamaraty (MFA) is sometimes sensitive about such matters. The state government may need to help convince the federal government of the value of having the U.S. work directly with the state. Serra indicated he would also be willing to talk to the media about the need for such assistance.

111. (SBU) Secretary Marzagao (Public Security) described in more detail some areas of bilateral cooperation the state would like to pursue with the U.S. These include counter-narcotics and anti-money laundering initiatives, exchanges of information, prison administration and prison reform, and assistance with police intelligence. He outlined problems the state has not only with organized crime but also with common street crime, and described efforts to coordinate and integrate the state's law enforcement agencies and to improve federal-state police coordination as well. CG McMullen cited recent meetings between law enforcement officials of the four southeastern states - Rio de Janeiro, Sao Paulo, Espirito Santo, and Sao Paulo - to discuss information-sharing and coordination on state borders. This, he said, is the sort of regional initiative that the USG would like to work with. The Ambassador noted that a new law enforcement position had been established in the Embassy to coordinate NAS cooperation with cities and states.

112. (SBU) U/S Burns turned briefly to Brazil's foreign policy, noting that while state governors like Serra have no direct role, their states are affected by Brazil's global posture and approach to the region. A/S Shannon described the USG approach to Bolivia. The U.S. continues to try to work with the Morales administration on coca eradication and interdicting cocaine paste, but we remain concerned that President Morales is permitting an increase in the level of legal coca production, negotiating village by village. There could be explosion in the amount of coca leaf produced in the next eighteen months. This would be extremely problematic for Brazil, and we have so advised the GoB. Brazil is involved in alternative development efforts in Bolivia, and biofuels technology is one area of possible cooperation, but would require considerably

more political groundwork to get Morales to agree. The U.S is working to maintain good relations with Morales but cannot guarantee that these efforts will not collapse. Governor Serra noted that a great deal of cocaine from Bolivia ends up in Brazil and that Brazil needs to do its part in the area of counter-narcotics.

¶13. (SBU) While the U.S. has enjoyed good success cooperating with Europe on counter-terrorism initiatives, U/S Burns observed, it has done less well in improving prison administration and fighting organized crime. The U.S. and Brazil have much to learn from each other. The U.S. can promise to approach Brazil's and Sao Paulo's problems with humility and to give a one hundred percent effort, but cannot guarantee success.

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¶14. (SBU) Returning to the area of biofuels, the Governor, U/S Burns, and the Ambassador discussed California's biofuels initiative and the possibility of a visit to Sao Paulo by Governor Schwarzenegger. Governor Serra noted that the U.S. is spending public and private funds on ethanol research. He advised that Sao Paulo, using both private and state funding, expects within about two years to complete a pipeline that will carry ethanol from the interior, where it is produced, to port. U/S Burns cautioned that Congress is unlikely to change the surcharge on imported ethanol. He stressed the importance of developing alternative fuels because the U.S. dependence on oil, which is exported by countries with problematic governments (e.g., Iran and Venezuela), has a negative impact on foreign policy.

¶15. (SBU) As lunch grew to a close, U.S Burns again highlighted the common ground shared by Brazil and the United States and suggested that Serra visit the U.S. soon. Ambassador Sobel noted that Sao Paulo is home to the world's largest American Chamber of Commerce outside the United States and thanked the Governor for his recent action to ward off legal action that would have taken away state tax credits from electronic technology producers, seriously compromising the interests of a number of large U.S. investors in the state. The Governor expressed his intention to seek a long-term solution to the "tax wars" between the states that sometimes prejudice investors.

COMMENT

¶16. (SBU) Governor Serra is clearly interested in developing closer ties between his state of 40 million and the United States. His administration, which took office just over a month ago, faces serious challenges in the area of security. Mission Brazil will continue to engage with Serra to identify target of opportunity where we can work together. End Comment.

¶17. (U) This cable was coordinated with Embassy Brasilia and cleared by U/S Burns' delegation and Ambassador Sobel.

MCMULLEN